CURRENCY CORNER

3rd July 2009

CURRENCY COMMENT

30 MIN NSE JULY USDINR

PERSPECTIVE

Recap: The Indian rupee fell on Thursday after hitting a two-week high early, as the dollar gained against major currencies and choppy shares ahead of next week's budget dampened sentiment. The partially convertible rupee ended at 47.95/96 per dollar, compared with Wednesday's 47.88/90. It hit 47.74 in early trade, its highest since June 16 It seems the traders are waiting for the cues from budget as they remain sideline. The government said in a report that Indian economy could grow around 7% this year based on the reforms if unveiled in the budget. On Global FX side, Dollar rose recovering from a near three-week low against the euro as traders booked profits on short positions in the U.S. currency ahead of key U.S. unemployment figures due later in the day.

View: An unexpectedly gloomy jobs report heightened anxiety that the economy mightn`t be recovering as well as expected, prompting investors to sell stocks and commodities and flee to haven investments. The Dow Jones Industrial Average slid 2.6%, the biggest decline ahead of a July 4 holiday in at least 50 years. While Asian markets too followed the Dow suit, amid starting weak, with risk aversion hurting the EUR,GBP, AUD and NZD in Asia. At home, USDINR (jul) is likely to open higher at 48.22, and could go still higher to 48.35, crucial resistance. On downside, the pair had good support at 47.94 and 47.81. Strong breach of the latter level could add short-lived bearishness in the pair. Our bias is to sell dollar on spike, for its general trend is weakening.

CURRENCY METER

FACTOR DESCRIPTION	EFFECT ON RUPEE
Fundamentals: The headline inflation rate stayed in the negative zone for the third week in a row, declining 1.3% for the week ended June 20 from 1.14% in the previous week. Wholesale prices rose 11.91% in the corresponding week last year. The economic survey tabled in the parliament on Thursday suggested a strong push for economic reforms and infrastructure development. The Survey recommended phasing out all cesses and surcharges on taxes and securities transaction tax, fringe benefit tax and proposed the introduction of a new income tax code. It suggested 100% foreign direct investment in health and weather insurance and targeted Rs.25,000 crore through disinvestment in state-run companies. The survey has also called for decontrolling sugar, fertilizer and drug prices. The next round of stimulus could include both tax cuts and increase in government expenditure.	Mixed
RBI Measures: July 1, The government will auction 20 billion rupees of 91-day treasury bills and 10 billion rupees of 364-day treasury bills. July 9. India's central bank will conduct the next auction-based open market operation to buy back bonds. The central bank absorbed 935.15 billion rupees from banks at its reverse repo auction on Thursday above 883.35 billion rupees on Tuesday.	Positive
Money Markets: Indian government bond prices rose Thursday after a government survey raised hopes that the federal budget will aim to keep the country's gaping fiscal deficit in check. The most traded 7.49% 2021 note closed at INR106.47, higher from Wednesday's close of INR105.61. The 6.07% 2014 note closed at INR98.94, up from INR98.50 in the previous session.	Positive
Equity Markets: Thursday, the Indian market ended a volatile session higher after budget expectations more than offset continued profit taking and weak European cues. However, indications that the government could make dividends taxable in the hands of shareholders restricted big gains. The BSE Sensex finished at 14,658, up 13 points or a modest 0.09%.	Positive
Top Events: U.S. non-farm payrolls tumble an unexpectedly large 467,000 in June on widespread declines across manufacturing, construction and professional services. The unemployment rate rises to 9.5%. Economists were looking for payrolls to drop 350,000 and an unemployment rate of 9.6%. Australia posted its largest trade deficit since July 2008 in May as export receipts remained in freefall, highlighting the threat of weaker economic growth in coming quarters as the global economic slowdown lashes demand for commodities. he unemployment rate in the 16 countries that use the euro rose more than expected and to the highest level for a decade in May as more companies laid off staff in a bid to survive the deepest recession since World War II.	Negative

Anagram

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CURRENCY MOVEMENT

	OPEN	HIGH	LOW	Close	CHG	Open Int	CHG	Volume	CHG
INR Future (JULY)	47.8750	48.1350	47.8250	48.0700	-0.06	258918	20445	813786	-17632
INR Spot	47.7400	48.0300	47.7400	47.9500	-0.06				
1 Month Forward	47.8000	48.2000	47.8000	48.1650	-0.36				
12 Month Forward	48.9250	49.3075	48.7700	49.2500	-0.35				

FII INVESTMENT IN EQUITY

(RS CRORE)	GROSS PURC.	GROSS SALE	NET FLOW
2-Jul	1449	1285	164

RBI FIXING RATES

CURRENCY	EURO	POUND	100 YEN
Rupee	67.0710	78.5498	49.9349

OTHER MARKETS

POINTS	CLOSE	CHANGE
Sensex	14658.49	13.02
Nifty	4348.85	7.95
Dow Jones	8280.74	-223.32
Crude Oil ($/B)	66.73	-0.25
Gold ($/Oz)	931	1.80

ECONOMIC INDICATORS

COUNTRY	INFLATION	INT RATE	GDP	IND. PR.
India	-1.14	4.75	5.80	1.40
U.S.	-1.30	0.25	-5.50	-1.10
Europe	2.20	1.00	-4.10	-12.30
China	-7.60	5.31	6.10	8.90
Japan	-1.10	0.10	-14.20	-29.50

INDIAN DATA WATCH

DATE	DAY	LOCAL/GMT	EVENT	PERIOD	PREVIOUS	FORECAST
30-June-09	Tuesday	1700/1130	BoP	Jan-Mar	-$17.88 bln	--
30-June-09	Tuesday	1700/1130	Current a/c	Jan-Mar	-$14.64 bln	--
01-July-09	Wednesday	1200/0630	PMI data	June	55.7	--
01-July-09	Wednesday	1200/1130	Trade balance	May	-$5 bln	--
02-July-09	Thursday	1200/0630	Economic Survey for 2008/09			--
02-July-09	Thursday	1200/0630	WPI	Jun-20	-1.14 pct	--
03-July-09	Friday	1100/0530	Railway Budget for 2009/10			--
03-July-09	Friday	1700/1130	Forex reserves	Jun-26	$263.7 bln	--
03-July-09	Friday	1700/1130	M3 money supply	Jun-19	20.2 pct	--
03-July-09	Friday	1700/1130	Bank Credit	Jun-19	15.7 pct	--

INTRADAY CALLS COVERED

DATE	RECO	RECO. PRICE	COVERING PRICE	GAIN/ LOSS	LOT SIZE	MRGN %	MRGN MONEY	PER CNTRCT	ROI (%)	TARGET ACHVD
USDINR (JUL)	Long	47.85	47.96	0.11	1000	4%	1914	110	5.75%	Booked
USDINR (JUL)	Long	47.95	48.02	0.07	1000	4%	1918	70	3.65%	Booked
USDINR (JUL)	Short	48.12	48.065	0.055	1000	4%	1925	55	2.86%	Booked

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CURRENCY TEAM

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